

**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Group Health Plan, Inc. as of December 31, 2007

ORDER

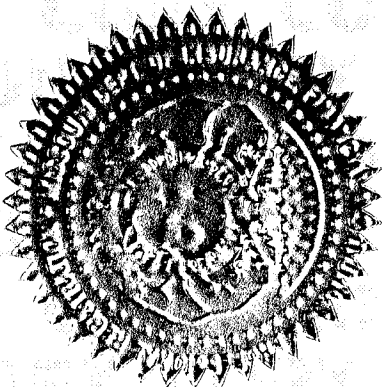
After full consideration and review of the report of the financial examination of Group Health Plan, Inc. for the period ended December 31, 2007, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Linda Bohrer, Acting Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER Group Health Plan, Inc., to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with, each item mentioned in the General Comments and/or Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this November 14, 2008.

Linda Bohrer

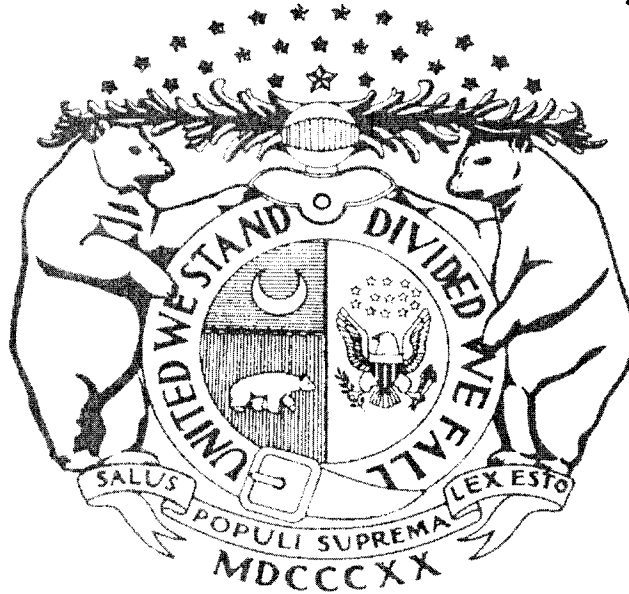
Linda Bohrer, Acting Director
Department of Insurance, Financial Institutions
and Professional Registration



REPORT OF
FINANCIAL EXAMINATION

GROUP HEALTH PLAN, INC.

FILED
NOV 24 2008
DIRECTOR OF INSURANCE
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



AS OF
DECEMBER 31, 2007

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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September 22, 2008
St. Louis, Missouri

Honorable Alfred W. Gross, Commissioner
Bureau of Insurance
Virginia State Corporate Commission
Chairman, Financial Condition (E) Committee, NAIC

Honorable Merle D. Scheiber, Director
Division of Insurance
State of South Dakota
Secretary, Midwestern Zone, NAIC

Honorable Linda Bohrer, Acting Director
Missouri Department of Insurance, Financial Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Lady and Gentlemen:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of:

Group Health Plan, Inc.

hereinafter referred to as such or as "GHP" or as the "Company." The Company's statutory home office is located at 550 Maryville Centre Drive, St. Louis, Missouri 63141, telephone number (314) 506-1700. This examination began on March 10, 2008 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The last full scope association financial examination of the Company was made as of December 31, 2003, by examiners from the state of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC) with no other zones participating.

The current full scope association financial examination covers the period from January 1, 2004, through December 31, 2007, and was conducted by examiners from the state of Missouri representing the Midwestern Zone of the NAIC with no other zones participating.

This examination also included material transactions and/or events occurring subsequent to December 31, 2007.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners, except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the state of Missouri prevailed.

COMMENTS PREVIOUS EXAMINATION

The comments and recommendations of the previous examination report, made as of December 31, 2003, are listed below. The Company's response to these items and the current findings related to the 2003 comments and recommendations are also documented below.

Comment: Election and Appointment of Directors, Officers and Committees

The prior examination found the minutes of meetings of the Shareholder and Board of Directors did not always clearly document the election and appointment of directors, officers and all committees of the Board of Directors. It was recommended that the Company clearly document these transactions in future meeting minutes.

Company Response:

The Company's response to the prior examination report did not specifically address this comment.

Current Findings:

The election and appointment of directors and officers were adequately documented in the meeting minutes covered under the current examination period. The minutes did not, however, document the appointment of committees or committee members. The Company should clearly document the appointment of any committees and committee members in the Board of Director meeting minutes.

Comment: Reports of Financial Examination

The prior examination found that the Board of Directors meeting minutes did not document that the Board reviewed the Report of Financial Examination of Group Health Plan, Inc. as of December 31, 2000, issued by the Missouri Department of Insurance. It was recommended that the Board of Directors review all Reports of Financial Examination issued by the Missouri Department of Insurance and document the review in the minutes.

Company Response:

"While the Company does not dispute the omission from the Board of Directors minutes, in February 2002 each member of the Company's Board of Directors certified under oath to the Missouri Department of Insurance, via a notarized statement, that he or she received a copy of the 2000 examination report."

Current Findings:

The Board's review of the most recent Report of Financial Examination, made as of 2003, was documented in the April 2005 Board of Directors minutes. In addition, each Director signed an

affidavit stating that he or she received a copy of the examination report.

HISTORY

General

The Company originally incorporated on March 2, 1978, as Group Health Plan of Greater St. Louis, a not for profit health services corporation, and became operational in January 1982. The Company received its Federal Qualification and Missouri Certificate of Authority as a Health Maintenance Organization (HMO) on February 1, 1982. On October 13, 1982, the Company merged with Midwest Health Plan, another St. Louis based federally qualified plan, and changed its name to Group/Mid West Health Plan.

On January 10, 1984, the Company changed its name to Group Health Plan of Greater St. Louis. On May 22, 1985, the Company was issued a license to operate as a for profit corporation under the name New Group Health Plan, Inc. On November 1, 1985, New Group Health Plan, Inc. acquired the assets and liabilities of Group Health Plan of Greater St. Louis. The transfer price from the not for profit to the for profit organization was \$3,973,308 (the surplus).

On November 5, 1985, New Group Health Plan, Inc. registered the fictitious name, Group Health Plan, Inc.

On January 30, 1990, Coventry Corporation, a wholly owned subsidiary of Coventry Health Care, Inc., purchased all the outstanding stock of the Company. At the time of the purchase, the Company's name officially became Group Health Plan, Inc. In June 2000, Coventry Corporation merged into Coventry Health Care, Inc. and the Company became a direct subsidiary of Coventry Health Care, Inc.

On November 12, 1992, the Company registered the fictitious name, Care Management Resources (CMR), a division of the Company that acts as a third party administrator. On June 24, 1994, CMR received its Certificate of Authority as a third party administrator from the Missouri Department of Insurance, Financial Institutions and Professional Registration (MO-DIFP). CMR provides administrative services for self-insured employer groups.

Group Health Plan, Inc. merged with Principal Health Care of St. Louis, Inc. effective April 4, 1998, as part of the Coventry Health Care, Inc. acquisition of certain health plans of Principal Health Care, Inc.

On December 17, 2003, Coventry Health Care, Inc. contributed the stock of Wellpath Community Health Plans, Inc. to Group Health Plan, Inc.

Capital Stock and Paid In Surplus

The Company is authorized to issue 10 shares of common capital stock with a par value of \$1.00 per share. As of December 31, 2007, 10 shares were issued and outstanding resulting in a balance in the common capital stock account of \$10.

Dividends

The Company has declared and paid dividends to stockholders as follow:

<u>Year</u>	<u>Amount</u>
Through 2003	\$46,812,005
2004	40,000,000
2005	45,000,000
2006	41,000,000
2007	<u>36,100,000</u>
Total	<u>\$208,912,005</u>

Management

The Articles of Incorporation state that the number of directors that constitute the whole Board of Directors shall not be less than three nor more than eleven as the Board from time to time may determine. The Bylaws provide that the number of directors shall not be less than three nor more than fifteen.

The Board of Directors consisted of five members duly elected at an annual meeting of the stockholder as authorized by the Company's Articles of Incorporation. The directors elected and serving as of December 31, 2007, were as follows:

<u>Name</u>	<u>Business Affiliation</u>
Thomas P. McDonough	President, Coventry Health Care, Inc.
Shawn M. Guertin	Executive Vice President and Chief Financial Officer, Coventry Health Care, Inc.
Thomas C. Zielinski	Executive Vice President and General Counsel, Coventry Health Care, Inc.
Cynthia A. Finter	Senior Vice President, Coventry Health Care, Inc.
Roman T. Kulich	President and Chief Executive Officer Group Health Plan, Inc.

Officers elected and serving as of December 31, 2007, were as follows:

<u>Name</u>	<u>Office</u>
Roman T. Kulich	President and Chief Executive Officer
Francis S. Soistman, Jr.	Executive Vice President
Shawn M Guertin	Executive Vice President and Assistant Treasurer
William M. Scheerer	Treasurer and Chief Financial Officer
Shirley A. Roquemore Smith	Secretary
John J. Ruhlmann	Corporate Controller
John J. Stelben	Assistant Treasurer & Assistant Secretary
G. Kenneth Robinson III	Assistant Treasurer
Jonathan D. Weinberg	Assistant Secretary

Committees of the Board of Directors

Company management stated that the following committees existed at December 31, 2007:

GHP Executive Committee: Roman Kulich, William Scheerer and Scott Spradlin, DO.

GHP Quality Improvement Committee: Scott Spradlin, DO, Richard Hamilton, MD, John Hoehn, MD, Paul Vatterott, MD, Joseph Hazan, MD and Lawrence Schacht, MD.

GHP Grievance Committee: Laurel Ruzas, RN, Anita Carter, RN, Cindy Derr and Scott Spradlin, DO

As stated above, the minutes of the Board of Directors meetings do not document the appointment of committees and / or members serving on committees. The appointment of all committees and members serving on these committees should be documented in the Board of Director's meeting minutes.

Conflict of Interest

All directors and officers of the Company execute Conflict of Interest Disclosure Statements annually. A review of the statements for the years under examination disclosed no material conflicts.

Corporate Records

A review was made of the Articles of Incorporation and Bylaws of the Company. Neither the Articles of Incorporation nor the Bylaws were amended during the period being examined.

The minutes of the meetings of the Stockholder and Board of Directors were reviewed for the period under examination. The meeting minutes appear to document the review and approval of the major corporate transactions and events for the period under examination. However the minutes do not document the appointment of members of committees of the Board of Directors. The Company should ensure that committee member appointments are documented in future Board of Director meeting minutes. The minutes appropriately documented the Board's review of the prior Report of Financial Examination.

Acquisitions, Mergers and Major Corporate Events

No acquisitions, mergers or major corporate events occurred during the current examination.

Surplus Debentures

No surplus debentures were issued or outstanding during the current examination period.

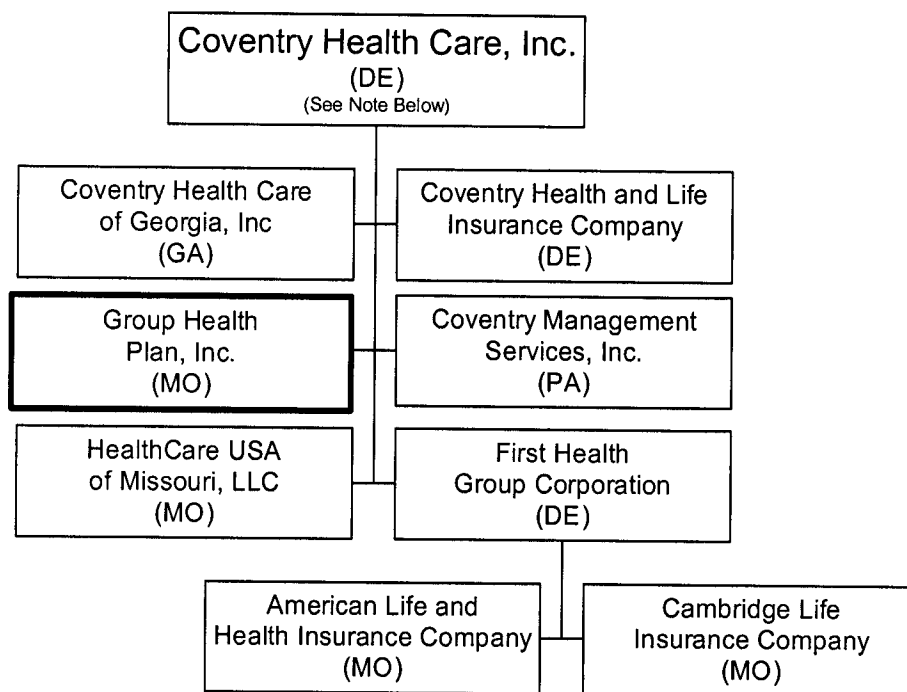
AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

The Company is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). The ultimate controlling entity is Coventry Health Care, Inc., a publicly traded managed health care company with 4.7 million members as of December 31, 2007, operating in all fifty states. As of December 31, 2007, Coventry reported total assets of \$7.2 billion and stockholders' equity of \$3.3 billion.

Organizational Chart

The following condensed organizational chart depicts the insurance holding company system as of December 31, 2007. The following chart only includes the ultimate parent, other Missouri domestic insurers and other affiliates with which the Company has affiliated transactions. Complete organizational charts are available in the annual statement and annual registration statement.



*** - At December 31, 2007, Janus Capital Management owned over 10% of Coventry Health Care, Inc., giving it a controlling interest in the company, Janus has filed a disclaimer of affiliation and control with the Missouri Department of Insurance, Financial Institutions and Professional Registration. Janus Capital Management owned 10.81% while other public investors owned 89.19%.

Affiliated Transactions

Group Health Plan, Inc. participates in various management and service agreements with affiliates. The summary below describes affiliated agreements which the Company was party to at December 31, 2007.

1. Type: Administrative Services Agreement and Underwriting Agreement
Parties: Group Health Plan, Inc. and Coventry Health and Life Insurance Company
Effective: January 1, 1996
Terms: Group Health Plan, Inc. shall provide to Coventry Health and Life Insurance Company certain administrative services related to the indemnity rider for GHP's members out-of-network POS claims. Services include claims payment, premium collection, premium allocation, general administrative services, sales and marketing, financial services, medical management, provider relations and contracting, and facilities and support.
Rate: Group Health Plan, Inc. shall receive an administrative fee of \$2.40 per member per month (PMPM) on POS membership.
2. Type: Guarantor Agreement
Parties: Group Health Plan, Inc. and Coventry Health Care, Inc.
Effective: October 20, 1999
Terms: Coventry Health Care, Inc. agrees, for a period of three years beginning on October 20, 1999, to provide additional capital contributions to Group Health Plan, Inc. in order to maintain at all times a statutory net worth at or above the greater of 2 percent of premiums or \$15 million. On October 20, 2002, the agreement was amended to provide that agreement would continue until mutually terminated.
In the event of Group Health Plan, Inc.'s inability to pay any amounts payable including any insolvency, Coventry Health Care, Inc. agrees to pay all expenses and claims incurred prior to such inability and all expenses and claims incurred subsequent to such inability.
3. Type: Insolvency and Guarantee Agreement
Parties: Group Health Plan, Inc. and Coventry Health Care, Inc.
Effective: August 1, 1999
Terms: In the event Group Health Plan, Inc. becomes insolvent, Coventry Health Care, Inc. shall make sufficient funds available for the aggregate of the following: benefits for members who are in acute care, benefits for any other member until the end of the period of time for which premium has been paid, and payments to providers for services rendered.
4. Type: Management Services Agreement – Medicare+Choice Amendment
Parties: Group Health Plan, Inc. and Coventry Health Care, Inc.
Effective: June 10, 1999
Terms: Coventry Health Care, Inc. is obligated to furnish certain management services to Advantra members who transitioned into a Medicare+Choice plan that mandates

certain provisions. This agreement includes those mandated provisions, such as the right to inspect by the U.S. Department of Health and Human Services.

5. Type: Management Services Agreement
Parties: Group Health Plan, Inc. and Coventry Health Care, Inc.
Effective: January 1, 2003
Terms: Coventry Health Care, Inc. agrees to provide certain management services including but not limited to senior management services, advertising and public relations consulting, marketing, purchasing services, pharmacy services, corporate and legal services, regulatory compliance and governmental affairs and reporting, accounting services, tax compliance and consulting, facilities management, risk management, payroll services and human resources consulting.
Rate(s): Effective January 1, 2007, fees are calculated by Coventry Health Care, Inc. at \$3.15 per member per month (PMPM) and are paid through the intercompany account.
6. Type: Management Services Agreement
Parties: Group Health Plan, Inc. and Coventry Management Services, Inc.
Effective: January 1, 2003
Terms: Coventry Management Services, Inc. agrees to provide information system services and service center services including, but not limited to, claims processing services, data integrity services, fraud and recovery support, premium billing and collection services, member services and benefit and contract administration.
Rate(s): Effective January 1, 2007, fees are calculated by Coventry Management Services, Inc. at \$4.32 per member per month for information system services and \$3.33 per member per month for service center services. Fees are paid through the intercompany account.
7. Type: Income Tax Allocation Agreement
Parties: Coventry Health Care, Inc. and subsidiaries, including Group Health Plan, Inc. and HealthCare U.S.A., Inc. and HealthCare of Missouri, LLC
Effective: For the tax year ending December 31, 1998, and for each tax year thereafter.
Terms: The Federal or state income tax liability and alternative minimum tax liability (if applicable) will be calculated for each subsidiary as if it were to file a separate federal or state income tax return.
8. Type: Administrative Services and Underwriting Agreement
Parties: Group Health Plan, Inc. and Coventry Health and Life Insurance Company
Effective: February 11, 2002
Terms: Group Health Plan, Inc. shall act as a third party administrator providing Coventry Health and Life Insurance Company (CH&L) certain administrative services including management, sales, marketing, financial, medical management and provider relations as requested and to the extent needed for CH&L to effectively operate its Preferred Provider Organization (PPO) and Point of Service (POS)

products. The agreement was amended in 2007 to add a PPO product for employers who offer a PPO plan located in the states of Tennessee, Mississippi and Arkansas. Administrative services also provided by GHP for this plan includes management, financial and provider relations services.

Under the terms of this agreement, GHP collects premiums from CH&L policyholders. The premiums are subsequently remitted by GHP to CH&L. At year end 2007, GHP had collected \$19,155,590 which was payable to CH&L. The Company did not report these funds in its cash account at year end. As these funds were held by GHP, they should have been reported as cash and an offsetting liability established for the amount payable to affiliates. The company should implement procedures to ensure that this transaction is accurately reflected in future financial statements if not settled before the end of the reporting period.

Rate(s): Group Health Plan, Inc. receives an administrative fee of \$8.25 per member per month on commercial PPO and POS membership, \$15.10 per member per month on Medicare+Choice PPO membership and \$4.50 per member per month for Tennessee, Mississippi and Arkansas business.

9. Type: Medical Director Agreement

Parties: Group Health Plan, Inc. and Coventry Health Care of Georgia, Inc.

Effective: December 1, 2007

Terms: This agreement allowed the companies to share the services of one full-time Medical Director between the two companies. The agreement was terminated effective February 19, 2008.

Rate(s): Group Health Plan, Inc. pays 50% of the salary, benefits, bonuses and applicable commissions of one full-time Medical Director.

FIDELITY BOND AND OTHER INSURANCE

The Company is named insured, along with other subsidiaries of Coventry Health Care, Inc., on a financial institution bond that covers losses resulting from dishonest or fraudulent acts of employees. This bond has a liability limit of \$10,000,000 with a \$500,000 deductible, which exceeds the minimum coverage of \$1,500,000 recommended by the NAIC.

Group Health Plan, Inc. is also named insured on the following policies: General and Automobile Liability, Workers compensation, Umbrella liability, Property, Directors and Officer's liability, Professional liability, and Employment practices liability.

EMPLOYEE BENEFITS AND PENSION PLANS

Employees are provided a benefit package which includes paid sick leave, holidays and vacation, medical, dental and vision plans, health care and dependent reimbursement account (cafeteria plan), short-term and long-term disability insurance, life insurance and accidental death and dismemberment, and education tuition reimbursement.

Company employees are eligible to participate in the Coventry Health Care Retirement Savings 401K plan. Under the terms of the plan, employees can defer up to 75% of eligible gross pay (maximum of \$15,500 in 2008) on a pre tax basis. In addition participating employees will receive 100 % matching contributions in Coventry Health Care stock on the first 3% of pay and 50% matching on the next 3% of pay. Effective January 1, 2006, all employer matching contributions made with respect to the employee's deferrals after December 31, 2005, will be 100% vested.

Coventry Health Care, Inc. also sponsors a Management Incentive Program designed to reward key employees, consultants and directors with bonus payments based on Coventry earnings per share and individual performance evaluation.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance, Financial Institutions and Professional Registration as of December 31, 2007, are reflected below. These deposits had sufficient par and market values to meet the deposit requirement for the state of Missouri per Section 354.410 RSMo (Issuance of Certificate; trust deposits and capital requirements).

<u>Type of Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
U.S. Treasury Note	\$475,000	\$480,752	\$475,859

Deposits with Other States

The Company has funds on deposit with other states in which it is licensed. Those funds on deposit as of December 31, 2007, were as follows:

<u>State</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
Illinois	U.S. Treasury Notes	\$315,000	\$320,266	\$315,438

INSURANCE PRODUCTS AND RELATED PRACTICES

General

Group Health Plan, Inc. is an individual practice association (IPA) model health plan licensed as a health maintenance organization (HMO) in Missouri under Chapter 354 RSMO (Health service corporations, health maintenance organizations and prepaid dental plans). The Company is also licensed in the state of Illinois.

As of December 31, 2007, the Company provided health care services to approximately 100,000 members. In addition, the Company serves approximately 95,000 members under self-funded ASO contracts. The Company's service area includes Greater St. Louis/Metro East, Central Missouri, and Central and Southern Illinois. Approximately 80% of the Company's premium is written in Missouri, with 55% of total premiums written in St. Louis City, St. Louis County and St. Charles County.

Marketing

The Company's efforts are primarily focused on serving groups with the following products:

- **POS**-Offers two different levels of medical benefits-in-network and out-of-network. POS members also select a primary care physician upon enrollment and are encouraged to establish a relationship with this physician.
- **Open Access POS**-Offers two different levels of medical benefits-in-network and out-of-network. This product currently is not available in Illinois.
- **HMO**-Members are required to select a primary care physician (PCP) upon enrollment. This primary care physician will function as the member's health care advisor and advocate, coordinating any required authorizations with GHP. Although referrals are not required when seeking specialty care, members are encouraged to consult with their PCP prior to visiting a specialist.
- **Open Access HMO**-Offers all of the benefits of the HMO product; however, members are not required to select a primary care physician.
- **Medicare**-Company offers the Medicare Advantage plans to Medicare-eligible retirees and the Advantra plan to individual Medicare beneficiaries.

In addition, Administrative Services Only (ASO) products are offered to self-funded plans through Group Health Plan, Inc. or Care Management Resources, a division of GHP.

Policy Forms & Underwriting, Advertising & Sales Materials, and Treatment of Policyholders

The Missouri Department of Insurance, Financial Regulation and Professional Registration has a Market Conduct staff that performs a review of these issues and generates a separate market conduct report. The most recent market conduct report on GHP was completed in 2005. In this report the Company was cited for a number of policy form and claim related issues. The Company paid a fine of \$306,150 to settle the issues in this examination.

The Illinois Division of Insurance completed a market conduct examination on GHP in 2004. A number of claims related issues were also noted in this report. The Company paid a \$25,000 fine as well as additional payments on a small number of claims to settle this examination.

The Missouri Department of Insurance, Financial Regulation and Professional Registration is currently conducting another market conduct examination on the Company. The report on this examination has not yet been finalized. The Company's 2007 financial statements incorporated accruals to account for potential fines which may result from this examination.

Grievance Procedures

In accordance with Section 354.445 RSMo (Complaint System), the Company has established and maintains a complaint system that provides reasonable procedures for the resolution of written complaints initiated by enrollees. The composition of the Grievance Committee complies with 20 CSR 400-7.110 (Health maintenance organizations – Resolution of enrollee grievances) that requires the panel to be comprised, at least in part, of enrollees.

Provider Contracts

The Company's pro forma provider contracts were reviewed during the previous examination. Included in the review were the Global Capitation Agreement, Medical Group Participation Agreement, Nursing Home Ancillary Services Participation Agreement, Ancillary Service Participation Agreement, Individual Provider Agreement and Hospital Participation Agreement. Each of the agreements contained the member protection provisions required under 20 CSR 400-7.080 (Enrollee protection provisions). The agreements were filed with the Missouri Department of Insurance, Financial Institutions and Professional Registration as required by 20 CSR 400-8.200 (Procedures for the filing of all policy forms and certain rates for life or health policies, contracts or related forms). The templates for these agreements remained unchanged during the examination period.

Quality Assurance, Utilization Review and Provider Credentialing

Group Health Plan, Inc. has been awarded full accreditation by URAC for compliance with its Health Plan Accreditation Program effective July 1, 2007 through July 1, 2010.

REINSURANCE

General

Direct written, assumed and ceded premium for the current examination period was as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Direct Business	\$532,838,352	\$524,673,744	\$532,384,674	\$642,143,563
Reinsurance Assumed	-	-	-	-
Reinsurance Ceded	<u>6,768,339</u>	<u>7,398,614</u>	<u>7,645,289</u>	<u>9,712,600</u>
Net Premiums	<u>\$526,070,013</u>	<u>\$517,275,130</u>	<u>\$524,739,385</u>	<u>\$632,430,963</u>

Assumed

The Company did not assume any reinsurance during the period under examination.

Ceded

The Company reinsures losses under an Excess Risk Reinsurance Agreement, effective April 1, 2001, with Coventry Health and Life Insurance Company, an affiliate. The maximum reinsurance coverage payable under the agreement for eligible charges as to any one member is \$1,000,000. Ninety percent of the eligible charges in excess of the deductible are reinsured for HMO and POS members and eighty percent for Medicare Risk members.

The reinsurance agreement has been renewed each year through March 31, 2009. For the year effective April 1, 2007, the deductible for HMO and POS members was \$275,000 and \$250,000 for Medicare Risk Members.

ACCOUNTS AND RECORDS

General

The Company uses a commercially written software system (PeopleSoft Financials) for general ledger, accounts payable, and other financial reporting purposes.

Operating processes such as enrollment, premium billing, eligibility and claim adjudication are maintained on the Company's "IDX" managed care application.

Independent Auditor

An independent accounting firm audits the Company annually. The Company's auditor for the year ended December 31, 2007, was Ernst & Young LLP. A review was made of the workpapers of the most recent CPA audit. These workpapers and reports were used in the course of this examination as deemed appropriate.

Independent Actuary

Reserves and related actuarial items as of December 31, 2007, were reviewed and certified by James Paprocki, FSA, M.A.A.A., Director of Actuarial Services with Coventry Health Care, Inc. Reserves and related actuarial items for the years ending 2004, 2005 and 2006 were reviewed and certified by Herbert B. Olson, M.A.A.A., Director of Actuarial Services with Coventry Health Care, Inc.

Consulting actuary, Karen Elsom, FCAS, MAAA, of Lewis & Ellis, Inc., was retained by the Missouri Department of Insurance, Financial Institutions and Professional Registration to review the reasonableness of the Company's reserving methodologies.

Information Systems

In conjunction with this examination, Andrew Balas, Information Systems Financial Examiner with the Missouri Department of Insurance, Financial Institutions and Professional Registration conducted a review of the Company's information systems.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2007, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the Financial Statements. The failure of any column to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the examination workpapers.

ASSETS

	Ledger and Non-Ledger Assets	Assets Not Admitted	Net Admitted Assets
Bonds	\$ 153,854,434		\$ 153,854,434
Cash and short term investments (NOTE 1)	27,814,229		27,814,229
Investment income due and accrued	1,906,995		1,906,995
Premiums in course of collection	3,684,397		3,684,397
Accrued retrospective premium	909,107		909,107
Amounts recoverable from reinsurers	14,722		14,722
Amounts receivable relating to uninsured plans	5,515,682	2,059	5,513,623
Net deferred tax asset	31,258,565	28,949,537	2,309,028
Furniture & other non-admitted assets	1,767,411	1,767,411	0
Receivable from affiliates	69,328,273	65,000,000	4,328,273
Other amounts receivable	112	112	0
Intangible assets	1,630,180	1,630,180	0
Prepaid expenses	<u>562,896</u>	<u>562,896</u>	<u>0</u>
Total Assets	<u>\$ 298,247,003</u>	<u>\$ 97,912,195</u>	<u>\$ 200,334,808</u>

LIABILITIES, CAPITAL AND SURPLUS

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims unpaid (less reinsurance ceded)	\$ 38,022,645	\$ 996,526	\$ 39,019,171
Accrued medical incentive pool and bonus amounts	953,846		953,846
Unpaid claims adjustment expenses	885,665		885,665
Premiums received in advance	2,208,440		2,208,440
General expenses due or accrued	12,582,362		12,582,362
Federal income taxes payable	4,412,729		4,412,729
Amounts withheld or retained for the account of others	8,653,074		8,653,074
Remittance and items not allocated	464,025		464,025
Amounts due to parents and affiliates (NOTE 1)	19,429,447		19,429,447
Payable for securities	1,086,356		1,086,356
Liability for amounts held under uninsured plans	1,072,157		1,072,157
Payable to Office of Personel Management	462,000		462,000
Grants	56,272		56,272
Abandoned property liability	<u>743,415</u>		<u>743,415</u>
Total Liabilities	\$ 91,032,433	\$ 996,526	\$ 92,028,959
Common capital stock			\$ 10
Gross paid in and contributed surplus			56,979,006
Contingency reserve			10,521,400
Unassigned funds (surplus)			<u>40,805,433</u>
Total Capital and Surplus			<u>\$ 108,305,849</u>
Total Liabilities and Capital and Surplus			<u><u>\$ 200,334,808</u></u>

STATEMENT OF REVENUE AND EXPENSES

	<u>Uncovered</u>	<u>Total</u>
Member Months		1,231,889
Net premium income	\$	526,070,013
<i>Hospital and Medical:</i>		
Hospital/medical benefits	\$ 6,318,601	319,946,242
Other professional services	2,499,206	17,073,456
Emergency room and out-of-area	727,186	9,280,066
Prescription drugs		64,325,218
Incentive pool, withhold adjustments and bonus amounts		<u>1,201,584</u>
Subtotal	\$ 9,544,993	\$ 411,826,566
<i>Less:</i>		
Net reinsurance recoveries		<u>1,375,285</u>
Total hospital and medical		410,451,281
Claims adjustment expenses		14,930,018
General administrative expenses		32,138,754
Total underwriting deductions	<u>\$ 9,544,993</u>	\$ 457,520,053
Net underwriting gain or (loss)		68,549,960
Net investment income earned		14,053,900
Net realized capital gains (losses)		<u>(3,093)</u>
Net investment gains (losses)		14,050,807
Net gain (loss) from agents' balances charged off		(47,557)
Reserve for assessments		<u>(250,000)</u>
Net Income before federal income taxes		82,303,210
Federal and foreign income taxes incurred		26,705,253
Net income	\$	<u>55,597,957</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, prior year		\$	88,025,358
Net income	55,597,955		
Change in nonadmitted assets	1,378,120		
Change in net deferred income tax	(595,584)		
Dividends to stockholders	<u>(36,100,000)</u>		
Change in capital and surplus			<u>20,280,491</u>
Capital and Surplus, December 31, 2007		\$	<u>108,305,849</u>

EXAMINATION CHANGES

Total Capital and Surplus per Company, December 31, 2007

Common capital stock	\$ 10
Gross paid in and contributed surplus	56,979,006
Contingency reserve	10,521,400
Unassigned funds (surplus)	<u>40,805,433</u>
TOTAL CAPITAL AND SURPLUS	108,305,849

Examination Changes:

		<u>INCREASE IN SURPLUS</u>	<u>DECREASE IN SURPLUS</u>
Assets			
Cash	Note 1	\$ 19,155,590	
Liabilities			
Payable to Affiliates	Note 1	<u>\$ 19,155,590</u>	<u>\$ 19,155,590</u>
TOTALS		<u>\$ 19,155,590</u>	<u>\$ 19,155,590</u>
Net Change			<u>\$ 0</u>

Total Capital and Surplus Per Examination, December 31, 2007

Common capital stock	10
Gross paid in and contributed surplus	56,979,006
Contingency reserve	10,521,400
Unassigned funds (surplus)	<u>40,805,433</u>
TOTAL CAPITAL AND SURPLUS	<u>\$ 108,305,849</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 1	Cash	\$27,814,229
	Payable to Parent and Affiliates	\$19,429,447

Cash and Payable to Affiliates were increased by \$19,155,590 to incorporate premiums collected by the Company which were payable to Coventry Health and Life Insurance Company. The Company collected these funds in December 2007, however they were not included in the cash balance reported on the 2007 Annual Statement. The funds were owed to Coventry Health and Life Insurance Company and as such were transferred to the affiliate in January 2008.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

Corporate Records

Page 5

The Board of Director meeting minutes do not document the appointment of board committees and / or committee members. The Company should clearly document the appointment of all committees and committee members in future Board of Director meeting minutes.

Premium Collected on Behalf of Affiliates

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The Company collects premiums from Coventry Health and Life Insurance Company policyholders as part of the services performed under the Administrative Services and Underwriting Agreement between the two companies. The premiums are subsequently remitted to Coventry Health and Life Insurance Company. At year end 2007, GHP had collected \$19,155,590 which was payable to CH&L. The Company did not report these funds in its cash account at year end. As these funds were held by GHP, they should have been reported as cash and an offsetting liability established for the amount payable to affiliates. It is recommended that the company implement procedures to ensure that this transaction is reflected in future financial statements if not settled before the end of the reporting period.

SUBSEQUENT EVENTS

The Company declared a \$41.3 million extraordinary dividend in April 2008. The extraordinary dividend was approved by the Missouri Department of Insurance, Financial Institutions and Professional Registration and was paid on May 9, 2008.

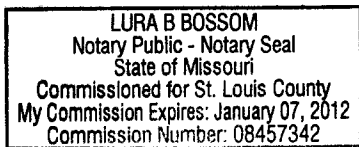
ACKNOWLEDGMENT


The assistance and cooperation extended by the officers and the employees of Group Health Plan, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Richard J. Hayes, CFE, John M. Boczkievicz, CPA, CFE, and Vasco Stoytchev, examiners representing the Department of Insurance, Financial Institutions and Professional Registration, participated in this examination. Andrew Balas, DIFP Information Systems Financial Examiner reviewed the Company's Information Systems. Consulting actuary, Karen Elsom, FCAS, MAAA, of Lewis & Ellis, Inc. reviewed the adequacy of the Company's reserve methodologies.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I, Michael R. Shadowens, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.




Michael R. Shadowens, CFE
Examiner-in-Charge
Department of Insurance, Financial Institutions and
Professional Registration

Sworn to and subscribed before me this 19th day of Sept, 2008.


My commission expires:

01-07-2012

Lura B. Bosson
Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with the National Association of Insurance Commissioners procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.


Vicki L. Denton, CFE
Audit Manager
Department of Insurance, Financial Institutions and
Professional Registration
Midwestern Zone, NAIC